

POLI 4062 Comparative Political Economy, Spring 2015

The Politics of Development under Capitalism

Tuesday and Thursday 1:30 – 2:50 pm, 116 Stubbs Hall

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Office: 229 Stubbs Hall

Office Hours: 12:20 – 1:20 pm on Tuesday and Thursday or by appointment

Natura non facit saltum.

Alfred Marshall, *Principles of Economics* (1890)

Nowhere has liberal philosophy failed so conspicuously as in its understanding of the problem of change.

Karl Polanyi, *The Great Transformation* (1944)

The Misery of being exploited by capitalists is nothing compared to the misery of not being exploited at all.

Joan Robinson, *Economic Philosophy* (1962)

This advanced upper-level course provides the fundamentals of political economy or political socio-economics. Our central puzzle throughout the course is: “Why Are We So Rich and They So Poor?” Because the focus of this course is on the “fundamentals,” we take unit of analysis rather broadly, which means that “We” and “They” can be “civilizations,” regions, countries, political entities, economic systems, societies, “people,” classes, races, ethnicities, or individuals. As such, answering the question about socio-economic development inevitably involves comparison. In studying this issue, therefore, we will learn why we compare, what to compare, and how to compare.

Traditional political economy studied this topic, by assuming that environments and political institutions are given and neutral with regard to the market allocations; they are there but they do not act. New political economy differs from the traditional approach in its treatment of politics. It accepts that political institutions and their relations to the economy and society are populated by actors who have interests/ideologies/faiths and pursue them. Hence, this course is based on the belief that socio-economic development is fundamentally a political phenomenon. Another strong belief is that the politics of development should be understood in terms of the capitalist system historically embedded in particular conditions. A final warning: political scientists cannot study political economy without knowing some sort of economics, as we cannot study political history without dealing with history. So, we will study economic theories and formulations.

This course has three main purposes: 1) to provide a rigorous analytical framework and various theories and empirics of socio-economic development, 2) to equip students with solid understanding of the complex relationships between politics and socio-economic performances under the capitalist system, and 3) to compare different accumulation strategies and their consequences, e.g., Europe vs. the United States, East Asia vs. Latin America, China vs. India. To do so, this course is divided into four parts: I) The Nature of Development, II) Varieties of Capitalism, III) Dynamics of Capitalism, and IV) “Market Society” and Its Alternatives.

READINGS

Each student is expected to read (before class) all the required readings for each session (see the reading assignments below). Required books are:

- 1) Pontusson, Jonas. 2005. *Inequality and Prosperity*. Cornell University Press.
- 2) Bardhan, Pranab. 2012. *Awakening Giants, Feet of Clay*. Princeton University Press.
- 3) Piketty, Thomas. 2014. *Capital in the 21st Century*. Belknap Press of Harvard University Press.
- 4) Sandel, Michael. 2013. *What Money Can't Buy*. Farrar, Straus and Giroux.
- 5) Rifkin, Jeremy. 2014. *The Zero Marginal Cost Society*. Palgrave Macmillan.
- 6) Žižek, Slavoj. 2009. *First as Tragedy, Then as Farce*. Verso.

REQUIREMENTS

- 1) In-class midterm and final examinations (25% each)

The emphasis is on important concepts and competing explanations of various sociopolitical economic phenomena. Knowledge of some relevant historical facts is required as well.

- 2) Attendance and participation (20%)

It is extremely important to come to class. Attendance will be taken for each session. Students may earn credit for their attendance at each class session, while repeated and unexcused absence will cause deduction in student's total grade. In addition, students are highly encouraged to ask and answer questions, and to make appropriate comments on issues covered in class.

- 3) Six reaction papers (5% each, total 30%): You will write a reaction paper on Pontusson, Bardhan, Piketty, Sandel, Rifkin, and Žižek. You will write total six reaction papers in this course. A reaction paper is a short paper (no longer than two double-spaced pages), discussing some aspect of the reading. In the reaction paper you must briefly summarize the reading and evaluate some central aspect of its discussion. Note: "evaluate" means that you must identify some central aspect of the author's analysis, explain why you think this aspect is interesting/important, and present your evaluation of the author's position (note that you must try to make an argument, simply asserting your agreement or disagreement will not be sufficient). The reaction papers are due in class on the date scheduled for discussion of the readings (or, put it in my mailbox before 1:00 pm on the due date if you have to miss a class). You should submit a hard copy. Late papers will not be accepted.

IMPORTANT DATES

Midterm examination	Thursday, March 5	1:30 – 2:50 pm
Final examination	<u>Saturday, May 9</u>	<u>12:30 – 2:30 pm</u>
1 st Reaction paper on Pontusson	Tuesday February 10	In class or before
2 nd Reaction paper on Bardhan	Tuesday, February 26	In class or before
3 rd Reaction paper on Piketty	Tuesday, March 17	In class or before
4 th Reaction paper on Sandel	Tuesday, April 14	In class or before
5 th Reaction paper on Rifkin	Tuesday, April 21	In class or before
6 th Reaction paper on Žižek	Tuesday, April 28	In class or before
Mardi Gras Holiday	Tuesday, February 17	No class
Conference	Thursday, April 2	No class
Spring Break	Tue/Thu, April 7, 9	No class

READING ASSIGNMENTS AND SPECIFIC TOPICS

I. THE NATURE OF DEVELOPMENT

Week 1 (1/16) Introduction

Scope and roadmap of the course. Puzzles. Importance of the capitalist system. The state in capitalism vs. the capitalist state. The role of democracy.

Week 2 (1/20, 1/22) Meaning, Measures and Trends

What is development? Trends and patterns. Growth and level. GNI and GDP. Purchasing power parity (PPP). Human Development Index (HDI). Inequality. Gini-coefficient. Lorenz curve. Within-country, international and world inequality compared. Kuznets curve. Depth and pace of change. Sustainable development.

Cypher, James. 2014. *The Process of Economic Development*. Fourth edition. London and New York: Routledge, Chapter 2, pp. 35-80.

Week 3 (1/27, 1/29) Imperialism, Colonialism, and Capitalism

Transition from an organic biological to energy-rich industrial economy. Origins of capitalism: the capital-nation-state. The role of war. Merchant and industrial capital. Nationalism. New imperialism. Colonial legacies. Deindustrialization and decolonization. Path dependence and critical juncture. Causality and counterfactuals.

Cypher, James. 2014. *The Process of Economic Development*. Fourth edition. London and New York: Routledge, Chapter 3, pp. 81-120.

Week 4 (2/03, 2/05) Classical and Neoclassical Theories

Universal motive. Miracle of market. Adam Smith: invisible hand vs. pin factory. De-centralized and centralized allocation mechanisms. Malthusian model. Static and dynamic comparative advantage. Primitive accumulation. M-C-M'. Contradiction between forces and relations of production. Neoclassical model.

Cypher, James. 2014. *The Process of Economic Development*. Fourth edition. London and New York: Routledge, Chapter 4, pp. 123-162.

II. VARIETIES OF CAPITALISM

Week 5 (2/10, 2/12) Social Europe vs. Liberal America

Income distribution revisited. Europe vs. America. Trade-off between efficiency and equity? Role of labor movement. Democratic class struggle. Three worlds. SMEs (or CMEs) and LMEs. Wage-bargaining institutions. Hump-shape.

Pontusson, Jonas. 2005. *Inequality and Prosperity*. Ithaca: Cornell University Press, Chapter 1-5, pp. 1-113

Week 6 (2//17) Mardi Gras Holiday

No class.

Week 6-7 (2/19, 2/24, 2/26) Welfare States in Retrenchment under Neoliberalism

Risk pooling and social insurance. Capitalists against market. Cross-class coalition. Skill formation. Multidimensionality. Organized interests. Structural dependence on capital. Linkage between capitalism and representation system.

Pontusson, Jonas. 2005. *Inequality and Prosperity*. Ithaca: Cornell University Press, Chapter 6-9, pp. 114-219.

Week 7-8 (2/26, 3/03) Assessing the Economic Rise of China and India

Socialism vs. capitalism. Neoliberal turn in the 1980s. “Socialism with Chinese characteristics?” Dual track. Township and village enterprises (TVEs). State-owned enterprises (SOEs). Foreign direct investment (FDI). China vs. other Asian tigers vs. India.

Bardhan, Pranab. 2012. *Awakening Giants, Feet of Clay*. Princeton: Princeton University Press. Chapter 1-6, pp. 1-77.

Week 8 (3/05) Midterm Examination

1:30 – 2:50 pm.

Week 9 (3/10, 3/12) Comparing China and India Continued

The relevance of socialist legacy: “Are the Chinese better capitalists now (than the Indian) because they were better socialists then?” Social capabilities. Increasing inequality. Environmental disaster. How does political regime (democracy and dictatorship) matter? Decentralized governance structure. Accountability failure.

Bardhan, Pranab. 2012. *Awakening Giants, Feet of Clay*. Princeton: Princeton University Press. Chapter 7 – Afterword , pp. 77-166.

III. DYNAMICS OF CAPITALISM

Week 10 (3/17, 3/19) Empirics and Fundamental “Laws” of Capitalist Development

Why is Piketty so popular? Capitalism revisited. Measurements and data revisited. Conception of “capital.” Critiques of mainstream economics. Importance of history. First and second fundamental “laws.” Return on capital. Turning-points in history and the meaning of critical junctures.

Piketty, Thomas. 2014. *Capital in the 21st Century*. Cambridge, Massachusetts: Belknap Press of Harvard University Press, Introduction – Chapter 6, pp. 1-234.

Week 11-12 (3/24, 3/26, 3/31) The Structure of Inequality and Capitalist Democracy

Novel measures of inequality. Capital, labor and inheritance. U-shaped curve. Structural dependence of the state on capital. Sociological origins of the capitalist state. “Hegemony” and the conception of power. Class compromise vs. class conflict. Democratic incapacity?

Piketty, Thomas. 2014. *Capital in the 21st Century*. Cambridge, Massachusetts: Belknap Press of Harvard University Press, Chapter 7 – Conclusion, pp. 237-577.

Week 12 (4/2) Conference

No class.

Week 13 (4/7, 4/9) Spring Break

No class.

III. “MARKET SOCIETY” AND ITS ALTERNATIVES

Week 14 (4/14, 4/16) Meaning of “Market Society”

Polanyi revisited. *Homo economicus* vs. *homo reciprocans*. Fundamental dilemma of liberalism. Incentives. Dangers of market society. Moral economy in the 21st century capitalism?

Sandel, Michael. 2013. *What Money Can't Buy*. New York: Farrar, Straus and Giroux.

Week 15 (4/21, 4/23) Technological Innovation and the Future of Capitalism

History of capitalism revisited. Deep structural force of capitalism: technology. Footnote 4 in Chapter 15 of Karl Marx's *Capital* Volume 1. Reciprocity and “collaborative commons.” “Internet of things.” “The future is already here”? Agency in historical progress – who makes history?

Rifkin, Jeremy. 2014. *The Zero Marginal Cost Society*. New York: Palgrave Macmillan Trade.

Week 16 (4/28, 4/30) What Is to Be Done? Implications and Conclusion

Crisis of 2009 as déjà vu. Significance of ideas and ideology. Critiquing critics of capitalism. Blueprints: desirability, feasibility, transformability, and sustainability. Blueprints and actual conditions. Conception of “development” revisited. If everything is endogenous, how can we identify causality, and what can we do? What is to be done? Class compromise revisited. Decent society.

Žižek, Slavoj. 2009. *First as Tragedy, Then as Farce*. London and New York: Verso.

Week 17 (5/9) Final Examination

Saturday 12:30 – 2:30.